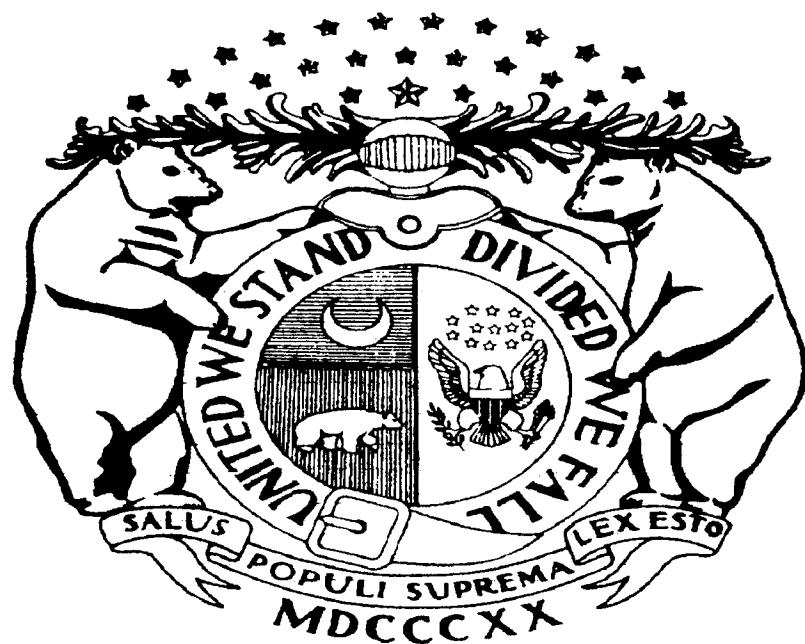


REPORT OF
ASSOCIATION FINANCIAL EXAMINATION

OZARK NATIONAL LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2004



STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
PERIOD COVERED.....	1
PROCEDURES.....	2
COMMENTS-PREVIOUS EXAMINATION.....	2
HISTORY.....	5
GENERAL.....	5
CAPITAL STOCK.....	5
DIVIDENDS	5
MANAGEMENT.....	5
CONFLICT OF INTEREST	7
CORPORATE RECORDS.....	7
ACQUISITIONS, MERGERS AND MAJOR CORPORATE EVENTS	7
SURPLUS DEBENTURES.....	7
AFFILIATED COMPANIES	7
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES	7
ORGANIZATIONAL CHART	7
INTERCOMPANY TRANSACTIONS	8
FIDELITY BOND AND OTHER INSURANCE.....	11
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS.....	12
STATUTORY DEPOSITS.....	12
DEPOSITS WITH THE STATE OF MISSOURI	12
DEPOSITS WITH OTHER STATES.....	12
INSURANCE PRODUCTS AND RELATED PRACTICES.....	13
TERRITORY AND PLAN OF OPERATIONS.....	13

POLICY FORMS & UNDERWRITING	13
ADVERTISING & SALES MATERIAL.....	13
TREATMENT OF POLICYHOLDERS	13
REINSURANCE.....	14
GENERAL.....	14
ASSUMED	14
CEDED	14
ACCOUNTS AND RECORDS.....	15
INDEPENDENT AUDITOR.....	15
INDEPENDENT ACTUARY	15
FINANCIAL STATEMENTS	15
ASSETS	17
LIABILITIES, SURPLUS AND OTHER FUNDS	18
SUMMARY OF OPERATIONS	19
CAPITAL AND SURPLUS ACCOUNT.....	20
NOTES TO THE FINANCIAL STATEMENTS.....	20
EXAMINATION CHANGES.....	20
GENERAL COMMENTS AND/OR RECOMMENDATIONS	20
ACKNOWLEDGMENT	21
VERIFICATION	21
SUPERVISION.....	22

Kansas City, Missouri
March 2, 2006

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, (E) Financial Condition Committee, NAIC

Honorable Jorge Gomez, Commissioner
Wisconsin Department of Insurance
Midwestern Zone Secretary

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Ozark National Life Insurance Company

hereinafter referred to as such or as the "Company" or as "Ozark National." Its administrative office is located at 500 East Ninth Street, Kansas City, Missouri 64106, telephone number (816) 842-6300. This examination began on November 7, 2005 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior comprehensive financial examination of Ozark National Life Insurance Company was made as of December 31, 2001 and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope financial examination covers the period from January 1, 2002 through December 31, 2004 and has been conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance (MDI) and statutes of the State of Missouri prevailed.

The examiners also relied on information provided by the Company's independent auditor, BKD, LLP, of Kansas City, Missouri. Such reliance included, but was not limited to, confirmations of other state deposit funds, fraud-risk assessments, and internal control evaluations.

Comments-Previous Examination

Listed below are comments, recommendations and notes of the previous examination report dated as of December 31, 2001 and the subsequent response or action taken by the Company.

Intercompany Transactions – Cost Sharing Agreement for Supplies and Services

Comment: The Company was directed to file an amendment to this agreement with the MDI that accurately described the responsibilities of the parties.

Company Response: An amended agreement was filed with the MDI in January 2003. However, approval of the amendment was denied, as it was not specific enough as to how the monthly fee amount associated with the agreement was determined. The Company elected at that time, to terminate the agreement rather than perform an analysis to support the monthly fee.

Current Finding: As the agreement has been effectively terminated, the prior examination comment and recommendation no longer applies.

Intercompany Transactions-Agency Agreement

Comment: The Company did not disclose agency commissions paid to third-party agents through CNS Corporation in its Form B filings or on Schedule Y of the Annual Statement. The Company was directed to make these disclosures in future filings.

Company Response: The Company has properly disclosed all agency commissions in its Form B filings as well as on Schedule Y of the Annual Statements filed subsequent to the prior examination.

Current Findings: The agency commissions paid through CNS Corporation were properly disclosed in the Form B and Annual Statement filings.

Intercompany Transactions-Consolidated Tax Allocation Agreement

Comment: The Company's federal income tax was consolidated with its parent and two affiliates that were not included in the Consolidated Tax Allocation Agreement. The Company was directed to amend the agreement to include the two affiliates or desist from consolidating its taxes with the two affiliates.

Company Response: An amended Consolidated Tax Allocation Agreement adding the two affiliates, N.I.S. Financial Services, Inc. and CNS Travel and Incentives Corporation, was filed with the MDI in December 2003.

Current Finding: An amended agreement adding the two affiliates was filed with and approved by the MDI.

Intercompany Transactions-Contract for Travel Agency Services

Comment: This agreement was not disclosed in the Form B filed by the Company since the agreement was entered into, contrary to Missouri statutes. In addition, the Company did not report amounts paid under this agreement on Schedule Y of the Annual Statement. The Company was directed to rectify these issues in future Form B and Annual Statement filings.

Company Response: The Company has properly disclosed the agreement in its Form B filings, and has included amounts paid under the agreement on Schedule Y of the Annual Statements filed subsequent to the prior examination.

Current Findings: The agreement and transactions related to it were properly disclosed in Form B and on Schedule Y of the Annual Statement.

Intercompany Transactions-Lease Agreement

Comment: The lease agreement with CNS Travel & Incentives Corporation, and the related rent received under the lease was not disclosed in Form B filings or on Schedule Y of the Annual Statement. The Company was directed to make these disclosures in the future.

Company Response: The Company has properly disclosed the agreement in its Form B filings, and has included amounts paid under the agreement on Schedule Y of the Annual Statements filed subsequent to the prior examination.

Current Findings: The agreement and transactions related to it were properly disclosed in Form B and on Schedule Y of the Annual Statement.

Intercompany Transactions-Overall

Comment: The Company shared certain common costs with its parent and affiliates without an underlying agreement, as required by Missouri holding company laws. The

Company was directed to draw up a cost sharing agreement with its parent and affiliated entities stipulating how common costs paid by one entity on behalf of affiliates should be allocated. The agreement should be filed with the MDI in accordance with the applicable laws.

Company Response: The Company contends the overall impact of these transactions is immaterial; however, an Inter-Company Billing Agreement was entered into effective August 12, 2004 to govern these transactions.

Current Finding: The Company entered into an Inter-Company Billing Agreement with its affiliates to govern shared costs, and the agreement was filed with and approved by the MDI.

Amounts Due on Reinsurance Assumed and Aggregate Reserve for Life Policies and Contracts

Comment: The Company's Annual Statement presentation of certain assumed modified coinsurance reserves as of the examination date was inconsistent with the requirements of the NAIC's Statements of Statutory Accounting Principles, (SSAP) No. 61. This SSAP requires an assuming company under a modified coinsurance treaty to reduce its reserves, which must then be reported by the ceding company. The Company was directed to comply with the provisions of SSAP No. 61 in the future.

Company Response: The Company has complied with the provisions of SSAP No. 61 in the reporting of the modified coinsurance on the Annual Statements filed subsequent to the prior examination.

Current Finding: The Company is accounting for the modified coinsurance in accordance with SSAP No. 61.

Dividends to Stockholders Declared and Unpaid

Comment: The Company did not accrue for a declared and unpaid dividend as of December 31, 2001 in violation of SSAP No. 72. The Company is directed to accrue for declared and unpaid dividends between reporting periods in its Annual and Quarterly Statements or change the declaration date of stockholder dividends.

Company Response: The Company elected to change the declared date for its January 2003 and subsequent stockholder dividends and has properly reported these dividends in its Quarterly and Annual Statements subsequent to that time.

Current Finding: There were no year end dividends declared and unpaid for the period under examination.

HISTORY

General

Ozark National Life Insurance Company was incorporated on April 22, 1964 and was issued a Certificate of Authority on June 24, 1964 as a life insurance company under the insurance laws of Chapter 376 RSMo (Life, Accident and Health Insurance). The Company was purchased from the I.C.H. Group in 1982 by CNS Corporation (formerly known as N.I.S. Corporation) in a leveraged buy-out. CNS Corporation (CNS) is the sole shareholder of the Company.

Capital Stock

Ozark National is one hundred percent owned by CNS Corporation. Pursuant to Article IV of its Articles of Incorporation, the Company is authorized to issue 535 shares of \$15,000 par value common stock. As of December 31, 2004, all 535 shares were issued and outstanding for a balance of \$8,025,000 in the Company's capital account. It should be noted that CNS Corporation has pledged one hundred percent of the issued and outstanding shares of Ozark National as collateral on a \$7.1 million loan and a \$5 million line of credit with UMB Bank.

Dividends

The dividend history of the Company since inception is as follows:

Years	Amount
Inception to 2001	\$140,251,519
2002	9,394,600
2003	12,984,450
2004	11,598,800
Total	\$174,229,369

All dividends were paid to CNS Corporation, the Company's sole shareholder.

Management

The management of the Company is vested in a Board of Directors appointed by the sole shareholder. The Company's Bylaws specify that the number of directors shall be nine. The directors appointed and serving as of December 31, 2004 were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Rhonda A. Morgan Liberty, Missouri	Executive Secretary CNS Corporation

Carol S. Bunch Lee's Summit, Missouri	President N.I.S Financial Services, Inc.
James T. Emerson Shawnee, Kansas	Executive Vice President & Treasurer Ozark National Life Insurance Company
V. Verlene Ascensio Kansas City, Missouri	New Business/Underwriting Manager Ozark National Life Insurance Company
Margaret A. Glover Carrollton, Missouri	Paralegal Ozark National Life Insurance Company
David R. Melton Smithville, Missouri	Vice President & Legal Counsel Ozark National Life Insurance Company
Charles N. Sharpe Bethel, Missouri	Chairman of the Board Ozark National Life Insurance Company
Laurie J. Sharpe Bethel, Missouri	Vice President & Assistant Secretary Ozark National Life Insurance Company
S. Alan Weber Olathe, Kansas	President Ozark National Life Insurance Company

Pursuant to the Company's Bylaws, the officers of the Company shall be a Chairman of the Board of Directors, a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries and a Treasurer. The officers of the Company elected and serving as of December 31, 2004 were as follows:

<u>Name</u>	<u>Title</u>
Charles N. Sharpe	Chairman of the Board
S. Alan Weber	President
James T. Emerson	Executive Vice President & Treasurer
David R. Melton	Vice President & Secretary
Laurie J. Sharpe	Vice President & Assistant Secretary

The Company's Bylaws provide for the establishment of an Executive Committee, an Investment Committee and an Audit Committee each with a minimum of three or more persons serving as members. As of December 31, 2004 the following individuals were elected and serving on the committees:

	<u>Executive</u>	<u>Audit</u>	<u>Investment</u>
Charles N. Sharpe	Member	Member	Member
S. Alan Weber	Member	Member	Member
David R. Melton	Member	N/A	N/A
James T. Emerson	N/A	Member	Member

Conflict of Interest

The Company has procedures which require all officers and directors complete a conflict of interest statement annually. Signed conflict of interest statements were reviewed for the examination period. No significant conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. Neither the Articles of Incorporation nor the Bylaws were amended during the period under examination.

The minutes of the Company's Board of Directors, sole shareholder and committee meetings were reviewed and, in general, appeared to properly reflect and approve the corporate transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers or major corporate events noted for the period under examination.

Surplus Debentures

There were no surplus debentures issued or outstanding for the period under examination.

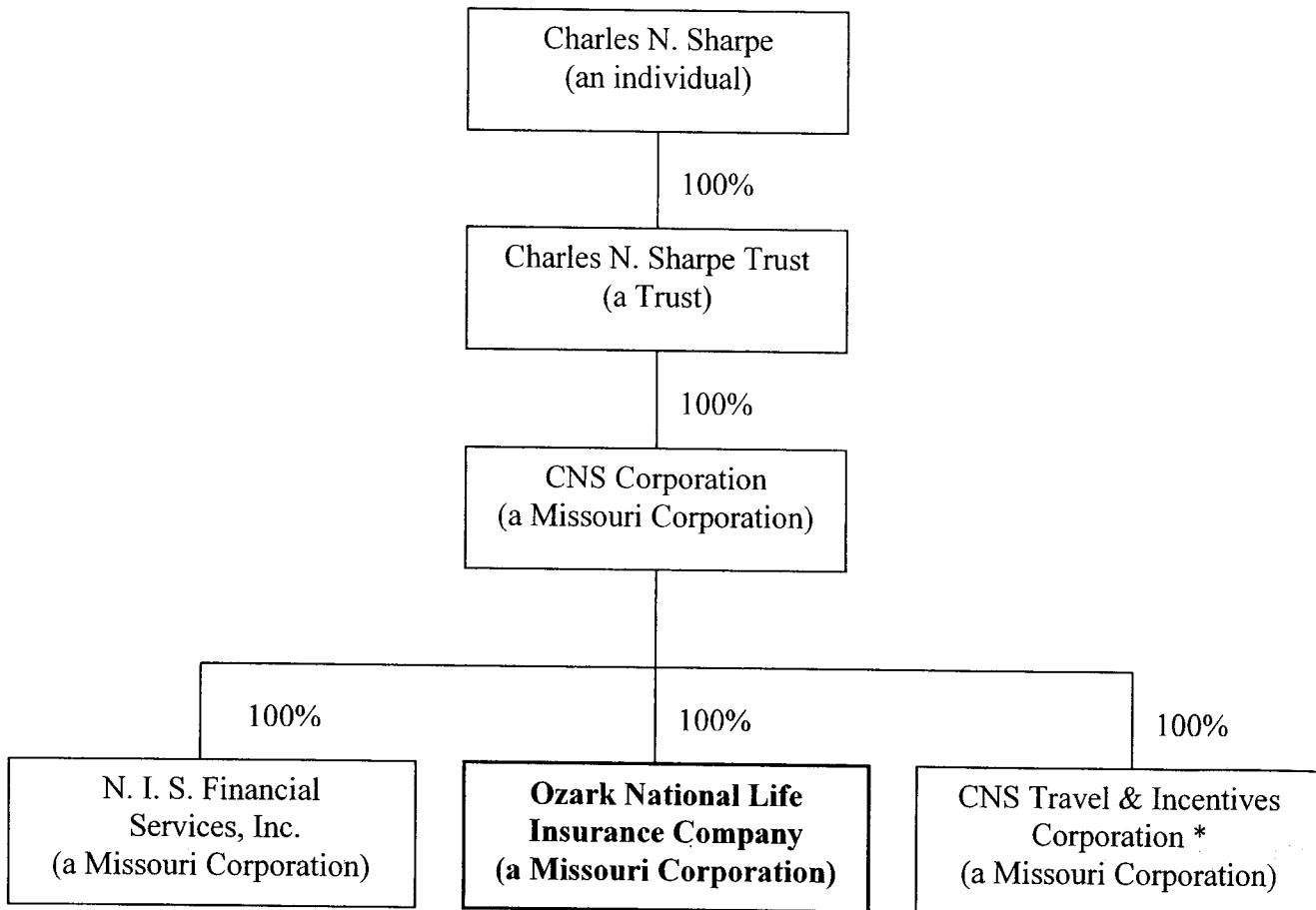
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

Ozark National Life Insurance Company is a wholly owned subsidiary of CNS Corporation, which is wholly owned by the Charles N. Sharpe Trust (Trust). The Trust is controlled by Charles N. Sharpe, an individual, who is the ultimate controlling person within the holding company system as defined by Section 382.010 RSMo (Definitions). Insurance Holding Company Registration Statements were filed by Ozark National Life Insurance Company on behalf of itself for the periods under examination.

Organizational Chart

The following organizational chart depicts the holding company system of Ozark National Life Insurance Company as of December 31, 2004:



* CNS Travel & Incentives Corporation was dissolved in 2005.

Intercompany Transactions

The Company has several agreements with its parent, CNS Corporation and other related parties. The terms of the agreements are outlined below.

1. Type: Agency Agreement

Parties: Ozark National and CNS Corporation

Effective: January 1, 1986

Terms: CNS recruits, trains and supervises the agency force that produces the insurance business of the Company. CNS receives a 15% first year overwrite commission and additional commissions of between 3% and 6% for subsequent years depending on policy type. These commissions are in addition to the commissions paid to agents recruited by CNS on behalf of the Company. CNS pays the agents their agreed upon commissions, and Ozark National provides the funds for these commissions to CNS through wire transfers.

2. Type: Data Processing Services Agreement

Parties: Ozark National and CNS Corporation

Effective: January 13, 1997

Terms: Ozark National provides all data processing services, including the use of its mainframe, personal computer network, programming, software licenses obtained from third parties (to which CNS has been identified as an additional licensee), and the maintenance and development of the data processing system to and for CNS. CNS agrees to pay Ozark National the sum of \$3,750 per month for these services.

3. Type: Consolidated Tax Allocation Agreement

Parties: Ozark National, N.I.S. Financial Services, Inc. (N.I.S. Financial), CNS Travel & Incentives Corporation (CNS Travel) and CNS Corporation

Effective: Original agreement was effective December 1, 1991. A new agreement was entered into effective January 1, 2003.

Terms: Ozark National files a consolidated federal income tax return with its parent, CNS Corporation, and two affiliates, N.I.S. Financial and CNS Travel. Pursuant to the agreement, Ozark National pays CNS the actual tax it would have owed on a separate federal income tax return basis.

4. Type: Commercial and Industrial Lease Agreement

Parties: Ozark National and CNS Corporation

Effective: December 12, 1985

Terms: CNS leases 23,634 square feet of office space from Ozark National at a monthly rent of \$32,387.83. Per amendment number six to the original agreement, the term of the lease shall be month-to-month effective December 1, 1989.

5. Type: Contract for Travel Agency Services

Parties: Ozark National and CNS Travel

Effective: March 1, 2000

Terms: CNS Travel is to obtain all travel and meeting accommodation services, including airline tickets, car rentals, lodging, food functions, tours, etc. on behalf of the Company as an independent contractor. The Company shall

pay all the costs incurred and expenditures made on its behalf by CNS Travel. In addition, the Company shall pay CNS Travel a commission of 10% based on gross charges expended on airline tickets, car rentals, lodging, food functions and tours. (This agreement is no longer in effect as CNS Travel was dissolved in 2005).

6. Type: Lease Agreement

Parties: Ozark National and CNS Travel

Effective: November 10, 1990, subsequently amended effective October 31, 1991 for two successive five-year terms beginning on October 31, 1996.

Terms: Ozark National leases an office suite and two contiguous storage spaces, totaling 1,510 square feet to CNS Travel at a monthly rent of \$1,510. In practice, CNS pays the rent to Ozark National for CNS Travel. (This agreement is no longer in effect as CNS Travel was dissolved in 2005).

7. Type: Inter-Company Billing Agreement

Parties: Ozark National, CNS Corporation, N.I.S. Financial and CNS Travel

Effective: August 12, 2004

Terms: Ozark National will pay certain operating expenses of CNS Corporation and its affiliates to third party providers through its intercompany billing system. The costs of services provided under the agreement shall be equal to the third party costs and expenses incurred to Ozark National. If Ozark National incurs cost or expenses on behalf of CNS Corporation or its affiliates, Ozark National will allocate any such costs or expenses in good faith between the various businesses on behalf of which such costs were incurred. In no event shall Ozark National be obligated to pay affiliate expenses in excess of \$200,000 in any calendar month.

8. Type: Retirement Plan Agreement

Parties: Ozark National, N.I.S. Financial and CNS Corporation

Effective: January 1, 1991

Terms: Ozark National shall serve as the Sponsoring Employer of an unfunded, nonqualified retirement plan covering the employees of Ozark National and the other named affiliates. Each of the affiliates in the plan shall contribute to Ozark National an amount equal to the annual liability applicable to each affiliate as determined by the plan's administrative committee.

The amounts (paid to) and received from CNS and the other affiliates pertaining to the above agreements for the years under examination were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Agency Agreement			
Paid to CNS Corporation	\$ (16,613,050)	\$ (17,652,115)	\$ (21,212,022)
Data Processing Services Agreement			
Received from CNS Corporation	45,000	45,000	45,000
Consolidated Tax Allocation Agreement			
Paid to CNS Corporation	(981,623)	(604,600)	(1,535,788)
Lease Agreement			
Received from CNS Corporation	388,656	388,656	388,656
Contract for Travel Agency Services			
Paid to CNS Travel	(96,549)	(158,300)	(304,052)
Lease Agreement			
Received from CNS Travel	18,120	18,120	18,120
Inter-Company Billing Agreement			
Received from CNS Corporation *	934,683	833,189	939,070
Received from N.I.S. Financial *	204,761	189,746	165,775
Retirement Plan Agreement			
Received from CNS Corporation	48,669	85,036	50,701
Received from N.I.S. Financial	18,152	13,207	11,052
 Net amount (paid) or received	 <u><u>\$ (16,033,181)</u></u>	<u><u>\$ (16,842,061)</u></u>	<u><u>\$ (21,433,488)</u></u>

*Note that payments for 2002, 2003 and the first part of 2004 were made prior to agreement taking effect.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured along with Charles N. Sharpe, the Charles N. Sharpe Trust, CNS Corporation and the other members of the CNS Corporation holding company system on a fidelity bond providing crime and fidelity coverage with a liability limit of \$1,250,000 and a \$25,000 deductible. This level of coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a named insured along with the aforementioned entities on various other insurance policies including, but not limited to:

Property
Inland Marine
Commercial Automobile
Workers Compensation

Boiler and Machinery
Commercial General Liability
Umbrella Liability

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Ozark National provides its employees with a range of benefits including, but not limited to, group medical insurance, group term insurance (including accidental death and dismemberment), long-term disability, fully subsidized lunches and a non-qualified defined contribution retirement plan.

Under the non-qualified defined contribution retirement plan, contributions to the plan are made at the sole discretion of Ozark National. Since 1991, the Company's annual contribution has been 7.5% of the individual employee's salary. Employees become eligible for benefits upon reaching age 62 and having at least seven years employment with the Company.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2004 as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Trust Deposits). The funds on deposit as of December 31, 2004 were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Note	\$1,800,000	\$1,783,548	\$1,801,057

Deposits with Other States

The Company also has funds on deposit with other states. Those funds on deposit as of December 31, 2004, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	Government Bond	\$ 125,000	\$ 141,525	\$ 119,833
California	Government Bond	2,250,000	2,511,150	2,150,112
Colorado	Government Bond	750,000	727,500	726,873
Florida	U.S. Treasury Note	300,000	297,258	300,176
Georgia	Special Revenue Bond	26,000	26,657	26,051
New Mexico	Government Bond	125,000	141,525	119,833
Ohio	Special Revenue Bond	2,200,000	2,352,384	2,234,430
Totals		\$ 5,776,000	\$ 6,197,999	\$ 5,677,308

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

Ozark National is licensed by the Missouri Department of Insurance under Chapter 376 RSMo (Life, Health and Accident Insurance) to write the business of life, annuities and endowments and accident and health insurance. The Company was also licensed in the following 29 states as of December 31, 2004:

Alabama	Arizona	Arkansas	California
Colorado	Florida	Georgia	Illinois
Indiana	Iowa	Kansas	Kentucky
Louisiana	Michigan	Minnesota	Mississippi
Montana	Nebraska	Nevada	New Mexico
North Dakota	Ohio	Oklahoma	South Dakota
Tennessee	Texas	Utah	Wisconsin
Wyoming			

As of December 31, 2004, the Company's only active lines of business were ordinary life policies which accounted for 99.42 percent of total direct premiums for the year. The States of Missouri and Iowa accounted for the largest percentage of direct premiums in 2004 with 20.82 percent and 11.16 percent respectively.

The Company's products and policies are marketed by approximately 385 captive agents who are supervised by CNS Corporation. The Company's whole life insurance product is sold in conjunction with a family of mutual funds brokered by its affiliate N.I.S. Financial, a licensed securities broker/dealer.

There has been a significant decrease in the Company's agency force and in first year premium income during the period under examination. It was noted that management has traditionally not prepared a formal marketing plan or budgets and forecasts due to the small size of the Company. In order to better assess the Company's performance, formal budgets and forecasts, including explanations of significant variances between budgeted and actual amounts, should be prepared each year. In addition, the Company should prepare a formal written marketing plan documenting how it intends to address the declines in agents and premium income.

Policy Forms & Underwriting

Advertising & Sales Material

Treatment of Policyholders

The Missouri Department of Insurance has a market conduct staff, which performs a review of these issues and generates a separate market conduct report. The last Market Conduct Examination [Report No. 2066-1298-REX] dated December 1998, covered the period from November 1997 to December 1998, and noted no material discrepancies.

A cursory review of market conduct areas was conducted during the course of this examination. No significant problems were noted.

REINSURANCE

General

The Company's reinsurance and premium activity on a direct written, assumed and ceded basis for the period under examination is detailed below:

<u>Premiums</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Direct premiums written	\$ 98,081,631	\$ 97,189,200	\$ 100,318,536
Reinsurance assumed	558,258	597,177	622,982
Reinsurance ceded	(3,417,266)	(3,430,343)	(3,431,444)
Net premiums written	<u>\$ 95,222,623</u>	<u>\$ 94,356,034</u>	<u>\$ 97,510,074</u>

Assumed

The Company has a 100% coinsurance agreement with Madison Life Insurance Company and a 100% coinsurance agreement with Washington Life Insurance. Under these agreements, Ozark National assumes 100% of the direct business on three closed blocks of business. Ozark National also has a modified coinsurance agreement with Conseco Life Insurance Company (Conseco) under which it assumes 100% of the direct business on two closed blocks of business. Three of the blocks of business assumed are in turn retroceded to Conseco on a 50% coinsurance basis under a separate coinsurance agreement as described in the Ceded reinsurance section below.

Ceded

The Company reported total reserve credits taken on business ceded of \$36,445,040 in Schedule S – Part 3 – Section 1 of the 2004 Annual Statement. Approximately 99% of the total reserve credits taken were on business ceded to Conseco Life Insurance Company. Most of this business was ceded under two automatic coinsurance agreements that have been in effect since the 1980s.

Under one of these coinsurance agreements, effective April 1, 1982 the Company cedes 17% of the risk on two closed blocks of business. Pursuant to the second coinsurance agreement, which was also effective April 1, 1982, the Company cedes 50% of the risk on five closed blocks of business including three of the blocks of business assumed under the assuming agreements discussed in the Assumed reinsurance section above.

As of December 31, 2004, the Company's new business was being ceded to Generali USA Life Reassurance Company (Generali) under an automatic umbrella yearly renewable term agreement effective March 1, 2004. Under this agreement, the Company's retention was \$200,000 on any one life, and Generali's maximum limit was \$800,000 on any one life. Prior to the agreement with Generali, the Company had a yearly renewable term agreement with ERC Life Reinsurance Corporation (ERC Life). ERC Life was subsequently merged into Scottish Re Life Corporation (Scottish Re). Under this agreement, effective April 1, 1988, new business subsequent to the date of the agreement was ceded to Scottish Re with the same retention and maximum limits as under the Generali agreement. Reserve credits taken on business ceded to Scottish Re and to Generali as of December 31, 2004 were not significant.

Subsequent to the examination date, the Company entered into an automatic yearly renewable term reinsurance agreement with Optimum Re Insurance Company (Optimum Re) for new business written after April 1, 2005. The retention and maximum limits under this agreement are the same as under the Scottish Re and Generali agreements.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements for the years ending December 31, 2002 and December 31, 2003 were audited by the CPA firm of PricewaterhouseCoopers LLP, of Kansas City, Missouri. The Company's financial statements for the year ending December 31, 2004 were audited by the CPA firm of BKD, LLP, of Kansas City, Missouri.

Independent Actuary

Aggregate reserves for life policies and other actuarial items were reviewed and certified by Gary L. Rose, FSA, MAAA, CLU, of Lewis and Ellis, Inc., of Overland Park, Kansas for each of the years under examination.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2004. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation).

There may have been additional differences found in the course of this examination that are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets

	Ledger and Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$ 413,678,134		\$ 413,678,134
Preferred stocks	400,000		400,000
Common stocks	575,750		575,750
Mortgage loans on real estate	126,731		126,731
Real estate			
Properties occupied by the company	5,351,717		5,351,717
Properties held for production of income	5,563,501		5,563,501
Cash, cash equivalents and short-term investments	15,170,367		15,170,367
Contract loans	14,887,267	\$ 254	14,887,013
Investment income due and accrued	3,140,544		3,140,544
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	877,356	12,522	864,834
Deferred premiums, agents' balances and installments booked but deferred and not yet due	31,121,784		31,121,784
Other amounts receivable under reinsurance contracts	216,397		216,397
Current federal and foreign income tax recoverable	421,199		421,199
Net deferred tax asset	2,198,969		2,198,969
Guaranty funds receivable or on deposit	8,381	8,381	-
Electronic date processing equipment and software	118,744		118,744
Other assets nonadmitted	725,436	725,436	-
 Total Assets	 \$ 494,582,277	 \$ 746,593	 \$ 493,835,684

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	402,191,823
Aggregate reserves for accident and health contracts	1,838,058
Liability for deposit-type contracts	5,113,230
Contract claims:	
Life	3,918,951
Accident and Health	325,082
Dividends apportioned for payment	183,356
Premiums and annuity considerations for life and accident and health contracts received in advance	1,440,499
Provision for experience rating refunds	12,276
Other amounts payable on reinsurance	3,432,490
Commissions to agents due or accrued-life and annuity contracts	484,075
Commissions and expenses allowances payable on reinsurance assumed	1,206
General expenses due or accrued	527,847
Taxes, licenses and fees due or accrued excluding federal income taxes	858,484
Unearned investment income	506,588
Amounts withheld or retained by company as agent or trustee	2,425,030
Amounts held for agents' account	133,817
Remittances and items not allocated	763,563
Liability for benefits for employees and agents	2,124,000
Asset valuation reserve	<u>1,837,034</u>
 Total liabilities	 \$ 428,117,409
Common capital stock	\$ 8,025,000
Gross paid in and contributed surplus	2,920,113
Unassigned funds (surplus)	<u>54,773,162</u>
 Total Capital and Surplus	 <u>\$ 65,718,275</u>
 Total Liabilities and Capital and Surplus	 <u>\$ 493,835,684</u>

Summary of Operations

Premium and annuity considerations	\$ 95,222,623
Considerations for supplementary contracts with life contingencies	26,934
Net investment income	20,632,450
Amortization of interest maintenance reserve	296,037
Commissions and expense allowances on reinsurance ceded	274,966
Miscellaneous income	3,715
 Total revenues	 \$ 116,456,725
 Death benefits	 16,995,201
Matured endowments	139,353
Annuity benefits	80,507
Disability benefits and benefits under accident and health plans	2,785,140
Coupons, guaranteed annual pure endowments and similar benefits	14,246
Surrender benefits and withdrawals for life contracts	11,172,056
Interest and adjustments on contract or deposit-type contracts	171,162
Payments on supplementary contracts with life contingencies	64,375
Increase in aggregate reserves for life and accident and health contracts	26,942,687
Commissions on premiums, annuity considerations and deposit-type funds	18,840,583
Commissions and expense allowances on reinsurance assumed	11,478
General insurance expenses	9,735,209
Insurance taxes, licenses and fees, excluding federal income taxes	2,351,387
Increase in loading on deferred and uncollected premiums	(1,248,874)
Change in reserves transferred under modified coinsurance contracts	(24,764)
 Total underwriting deductions	 \$ 88,029,746
 Net gain from operations before dividends to policyholders and Federal income taxes	 \$ 28,426,979
 Dividends to policyholders	 190,481
Federal income taxes incurred	11,435,462
Net realized capital gains or (losses)	(21,585)
 Net Income	 \$ 16,779,451

Capital and Surplus Account

Capital and surplus, December 31, 2003	\$ 60,139,817
Net income	\$ 16,779,451
Change in unrealized capital gains	55,951
Change in net deferred tax asset	(37,159)
Change in nonadmitted assets	(108,042)
Change in asset valuation reserve	487,057
Dividends to stockholders	<u>(11,598,800)</u>
Net change in capital and surplus for the year	<u>5,578,458</u>
Capital and surplus, December 31, 2004	<u>65,718,275</u>

NOTES TO THE FINANCIAL STATEMENTS

None

EXAMINATION CHANGES

None

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Territory and Plan of Operations

Page 13

There has been a significant decrease in the Company's agency force and in first year premium income during the period under examination. It was noted that management has traditionally not prepared a formal marketing plan or budgets and forecasts due to the small size of the Company. In order to better assess the Company's performance, formal budgets and forecasts, including explanations of significant variances between budgeted and actual amounts, should be prepared. In addition, the Company should prepare a formal written marketing plan documenting how it intends to address the decline in agents and premiums.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Ozark National Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Barbara Bartlett, CFE, CPA, and Steven Koonse, CFE, examiners for the Missouri Department of Insurance, participated in this examination. Andrew Balas, CFE, AES, Computer Audit Specialist for the Missouri Department of Insurance performed a review of the information system environment. Timothy F. Harris, FSA, MAAA of Milliman USA, Inc., also participated as a consulting actuary.

VERIFICATION

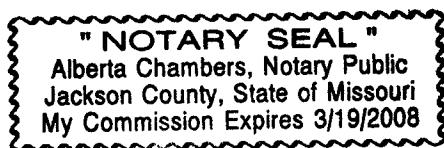
State of Missouri)
County of Jackson)

I, Mark A. Nance, CPA, CFE on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Mark A. Nance
Mark A. Nance, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance

Sworn to and subscribed before me this 30 day of March, 2006.

My commission expires: 3-19-08 Alberta Hawker
Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Frederick G. Heese, CFE, CPA
Audit Manager
Missouri Department of Insurance